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May 30, 2006

To Newsday:

In a recent letter to Newsday, dated May 11, 2006, Senate Majority Leader Joseph L. Bruno attempted to defend the plan recently proposed by the New York State Senate to provide property tax relief to homeowners by sending them property tax rebate checks. He characterized the rebate plan as the only tax relief plan which is “affordable, direct, and targeted.” Contrary to the Senator’s characterization, however, the Senate plan is fundamentally flawed, and while time is quickly running out, there is still sufficient time to provide tax relief that is both effective and fair.

The main problem with the Senate’s proposal is that it relies on a gimmick, rebate checks, to be sent to homeowners instead of providing immediate credits against their school tax bills. There is no reason to rely on rebate checks other than to satisfy state legislators craving credit from voters.

Senator Bruno argues in support of his rebate check plan that the STAR benefit goes to school districts and the checks go directly to homeowners. This conveniently neglects to point out that the STAR exemption is immediately credited on homeowners’ tax bills. Therefore, if credits were employed they would be reflected on homeowners’ 2006/07 school bills in October 2006. Rebate checks, on the other hand, would be sent out later for Nassau residents.

Rebate checks would create other problems as well. To the extent that property taxes are paid out of escrow accounts by mortgage companies, rebate checks would result in higher amounts being held in escrow. Perhaps even more troubling, in contrast to credits, rebate checks would be considered taxable income for income tax purposes.

The actual mailing of the checks would create another set of problems. The rebate check is supposed to go to the owner listed on the final assessment roll. To the extent that the property is sold and there is a new owner, the checks would likely be misdirected to the former owner even though the new owner will be paying taxes on the property. In addition, there would be approximately **3.1 million checks** mailed out, with a corresponding cost of approximately \$2.5-3 million in postage and administrative expenses, as well as the cost of correcting misdirected checks.

Senator Bruno also misstates the effect of the Senate's rebate plan. He states that it is "targeted to those who need it the most, with the largest benefit going to those who pay the highest property taxes, and nowhere do people pay higher property taxes than on Long Island." We agree that those paying the highest property taxes should get the most relief, but under the Senate plan Westchester homeowners would get an average rebate check of \$528 while Nassau's average check would be \$304 and Suffolk's would be \$293. To add insult to injury the average taxpayer in Rockland would get a rebate check of \$342.

The suggestion that the rebate checks are targeted toward Long Island is simply not accurate. The formula for calculating STAR exemptions throughout the state has been skewed against Nassau and Suffolk (similar to the inequitable formula used to allocate state aid for schools) from its inception and a thorough examination should be undertaken of the entire formula.

Finally, the Legislature approved a 13.6% increase for the Enhanced STAR exemption for the 2006/07 tax year, but it offered no relief for the vast majority of homeowners who only have the Basic STAR exemption. Basic STAR has not been indexed for inflation since its inception in 1997 and this would be an opportune time to correct that oversight. I strongly recommend that our state legislators enact legislation also applying the 13.6% increase to the Basic STAR exemption. For school districts such as Levittown, this would result in an additional savings of approximately \$200 per taxpayer.

Sincerely,

A handwritten signature in black ink, appearing to read "Harvey B. Levinson". The signature is fluid and cursive, with the first name "Harvey" and last name "Levinson" clearly distinguishable.

Harvey B. Levinson
Chairman, Board of Assessors

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